

DEPARTMENT OF STATE

Memorandum of Conversation

DATE: February 6, 1953

DEPARTMENT OF STATE A/CDC/MR

SUBJECT: Proposals by the Chinese Government

REVIEWED BY

DATE 2/9/53

PARTICIPANTS: Dr. Tan, Minister, Chinese Embassy
Ralph N. Clough, Director, Chinese Affairs
Josiah W. Bennett, Chinese Affairs
Arthur H. Rosen, Chinese Affairs

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Minister Tan said that he had been asked to inquire about certain matters which President Chiang had brought up with Ambassador Rankin during his final interview before his departure.

He said that the Chinese Government was interested in learning the status of its request that the re-equipping of the Chinese armed forces be speeded up. He said that his government's request was that the program be completed in two years rather than three and that this meant that 10½ divisions would be equipped each year instead of seven. Minister Tan also said that the request specifically called for the re-equipping of four additional divisions. Mr. Clough inquired whether these four were in addition to the 21 divisions already scheduled for re-equipping under the program, pointing out that this was unlikely in view of the fact that there were only 21 full active divisions in the Chinese Army. Minister Tan said that he was not clear on that point but that he would seek clarification from Taipei.

Minister Tan then said that MAAG in Taiwan had withheld agreement to payment of increased prices under direct forces support for cement, lumber, telecommunications and transportation. He hoped that this problem could be resolved. Mr. Clough inquired whether these items were for the use of United States military personnel in Taiwan or the Chinese forces. Minister Tan said that since direct forces support was mentioned, the items were for the use of the Chinese armed forces.

Referring to the recent cut in American aid to Taiwan, a cut which he said amounted to \$27 million, Minister Tan said that the Chinese

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Government hoped that the United States would continue to calculate the amount of aid on the basis of actual need. Mr. Clough said that this point had been noted.

Turning again to military matters, Minister Tan referred to the Chinese Government's request that the United States assist in the equipment of a "mobile task force" trained to meet "any emergency". He affirmed that this was the proposal made by Minister of Defense Yu Ta-wei that a force be created which would be "ready for export". Mr. Clough said that this proposal was now under consideration in the Department of Defense.

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Finally, Minister Tan brought up the question of the purchase by the Chinese Government of certain cargo ships, convertible to passenger or transport use, now owned by the United States. These vessels were needed for the purpose of building up China's merchant marine, a project Foreign Minister Yeh had brought up with the Department on an earlier occasion. He said that the need for these bottoms might also be felt in connection with the mobile task force referred to earlier. Minister Tan went on to point out that the Chinese Government some years ago had had to cancel contracts for ships built in the United States as a result of the loss of the mainland. This had resulted in a financial loss to the Chinese Government. The GRC hoped, said Minister Tan, that the sum which had not been recovered from this original venture could be applied to the purchase of new ships. Mr. Clough referred to previous conversations on this subject and observed that, so far as he knew, it had not yet been determined whether the ships desired could be made available to a foreign government. He would look into the present status of the matter and inform Minister Tan further. He said the other question which would have to be resolved was whether, in such a transaction, a credit could be allowed under the law for the amount claimed by the GRC. Minister Tan said that he understood this and would so report to Taipei.

With regard to the military matters mentioned by Minister Tan, Mr. Clough said he would await clarification of the question concerning the number of divisions to be re-equipped before passing the Chinese Government's views to the Department of Defense.

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